

ACCOUNTING

Time allowed – 1½ hours

Total Marks – 100

[N.B. – The figures in the margin indicate full marks. Question must be answered in English. Examiner will take account of the quality of language and of the way in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

- | | Marks |
|---|-------|
| 1. (a) "A business should produce information about its activities because there are user groups who want or need to know that information in order to make economic decisions," – Discuss in the light of BAS-1. | 5 |
| (b) Summarize the Qualitative characteristics of useful accounting statement according to BAS Framework. | 5 |
| 2. Soft Supplier Co. recently purchased from Hard Imports Co. 10 printers originally priced at Tk.20000 each. A 10% trade discount was negotiated together with a 5% cash discount if payment was made within 14 days. Calculate the following: | |
| i) The total of the trade discount, ii) The total of the cash discount. | 6 |
| 3. (a) Even if the trial balance balances, there may still have some types of errors in the ledger accounts. What are those errors? Explain. | 4 |
| (b) As at 31.12.2010 a business had the following nominal ledger balances. | |

	Balance Taka		Balance Taka
Bank loan	12,000	Sales	34,600
Cash at bank	11,700	Other payables	1,620
Capital	13,000	Trade receivables	12,000
Rent	1,880	Bank loan interest	1,400
Trade payables	11,200	Other expenses	11,020
Purchases	12,400	Non-current assets	22,020

On 31.12.2010 the business made the following transactions after the balance listed above had been calculated:

Bought materials for Tk.1,000, half for cash and half on credit.

Sales of Tk.1,040, Tk.800 of which was on credit.

Paid wages to shop assistant Tk.260 in cash.

Draw up a trial balance showing the balances as at 31.12.2010. 8

4. What is the meaning of following terms as per BAS Framework?
- (i) Going concern
 - (ii) Substance over form 8
5. The following transactions were carried out by a trading house:
- a. Business received an invoice for Tk.250 from a supplier which was omitted the books entirely.
 - b. Repairs worth Tk.150 were incorrectly debited to the non-current asset (machinery) account instead of the repair account.
 - c. The bookkeeper of a business reduced cash sales by Tk.280 because he was not sure what the Tk.280 represented. In fact, it was drawings.
 - d. Telephone expenses of Tk.540 were incorrectly debited to the electricity account.
 - e. A page in the sales day book had been added up to Tk.28,425 instead of Tk.28,825.
- Write out the journal entries which would correct these errors. 5
6. What is impairment loss? A business purchased a building on 1 January 2005 at a cost of Tk.1,00,000. The building had a 20 years life. On 31 December 2009, the business decides that since property prices have fallen sharply and future trading prospect are poor, the building is now worth only Tk.60,000 and the value of the asset should be reduced accordingly in the financial statements of the business for the year ended 31 December 2009.

The building was being depreciated over 20 years, at the rate of 5% per annum on cost.

Calculate the impairment loss, revised depreciation and annual charge against profit in 2009. 4+6

[Please turn over]

7. (a) A company begins trading on 1 January 2010 and sales of Tk.1,50,000 during the year to 31 December 2010. At 31 December there are receivables of Tk.12,000. Of these it is uncertain whether Tk.5,000 will be paid. Exercise your prudence to solve the matter. 5
- (b) Fiza trades as a carpenter. He makes furniture for customer at an agreed price of Tk.25,000. At the end Fiza's accounting year the job is unfinished and the following data have been assembled.

Cost incurred for making the furniture to date	Tk.15,500
Further estimated cost to complete the job	<u>Tk.12,200</u>
Total cost	<u>Tk.27,700</u>
What will be the net realizable value of WIP?	

5

8. Explain cost of sales. Zabeed had Tk.15,000 of inventory at January 2010. During the year he purchased inventory for Tk.98,000, including carriage inwards of Tk.150. He made sales of Tk.150,000, incurring delivery cost to his customers of Tk.2,400. At December 2010 he realized that he had inventory costing only Tk.2000 left; goods costing Tk.18,000 had been stolen. The insurance had agreed to pay his claim for 75% of the cost.

You are required to prepare Zabeed's income statement.

4+6

9. On the 30th June 2008, X and Y who have been trading in partnership and sharing profits of 2/3rd and 1/3rd, decide to dissolve and trade separately. Their Balance sheet on that date showed as follows:

Liabilities:				Assets:			
Creditors			Tk.14,000	Cash at Bank			Tk. 3,000
Reserve a/c			Tk. 3,000	Sundry Debtors	Tk.12,500		
Current a/c	X	Tk. 1,500		Less Reserve for Bad debts	<u>Tk. 500</u>		Tk.12,000
	Y	<u>Tk. 1,500</u>		Investments			Tk. 5,000
Capital a/c	X	<u>Tk.20,000</u>	Tk. 3,000	Stock			Tk.29,000
	Y	<u>Tk.10,000</u>	<u>Tk.30,000</u>	Furniture and Fixture			<u>Tk. 1,000</u>
			<u>Tk.50,000</u>				<u>Tk.50,000</u>

X agrees to discharge the liabilities and takes over the bank balance. He also takes over the Book debts at Tk.10,000. Y takes over the stock at Tk.30,000, Fixture at Tk.900 and the investments at Tk.8,500. Y is allowed to carry on the trade in the old firm's name on his taking over the Goodwill at Tk.9,600.

Required:

- (i) Realization Account and ii) Current Account.

5+5

10. Golden Harvest is a business dealing in pest control. Its owner, Mr. Khan, employed a team of 8 people who were paid Tk.1,20,000 per annum each in the year 2009. At the start of 2010 he raised salaries by 10% to Tk.1,32,000 per annum each.

On 1 July 2010, he hired a trainee at a salary of Tk.84,000 per annum. He paid his work force on the first working day of every month, one month in arrear, so that his employees received their salary for January on the first working day in February etc.

Calculate:

- (i) The cost of salaries charged in income statement for the year ended 31.12.2010 3
- (ii) The amount actually paid in salaries during the year (i.e. the amount of cash received). 3
- (iii) The amount of the accrual for salaries which will appear in the balance sheet as at 31.12.2010. 3

11. Kazi a sole trader, has agreed to sell his business to Lishari Ltd. for Tk.100,000, the consideration to be paid in 1 Taka share valued Tk.1.60 each. The following information is available about Kazi's business as at sale date:

	Taka
Fixed assets (net book value)	49,500
Stock	4,200
Debtors	5,740
Cash	1,850
Creditors	2,860

Lishari Ltd. values Kazi's fixed assets at Tk.60,000 and stock at Tk.3,000. Anja is to retain the cash and pay off the creditors.

- (i) What is the gain on realization in Kazi's books? 5
- (ii) With how many shares in Lishari Ltd. will Kazi be issued? 5